



MANAGEMENT'S DISCUSSION AND ANALYSIS

Q1 2020



Report to shareholders

Management's Discussion and Analysis

Q1 2020

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated May 6, 2020 should be read in conjunction with our March 31, 2020 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2019 (the "Annual Consolidated Financial Statements"), our 2019 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2019 dated March 30, 2020 (the "Annual Information Form"). Information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Unless otherwise noted, all financial information is prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting within the framework of International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 of the Annual Consolidated Financial Statements and in Note 2 of the Interim Condensed Consolidated Financial Statements. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland, including quarterly and annual reports and the Annual Information Form, is available online at www.sedar.com and Parkland's website, www.parkland.ca.

Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020. As a result of the change in organizational structure, the chief operating decision maker assesses performance, monitors results and allocates resources based on the combined Canada segment.

Non-GAAP financial measures and key performance indicators

Parkland has identified several key operating performance measures that management believes provide meaningful information in assessing Parkland's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Section 12 of this MD&A for a list of defined non-GAAP financial measures and key performance indicators ("KPIs").

Adjusted EBITDA and adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 20 of the Interim Condensed Consolidated Financial Statements and Note 27 of the Annual Consolidated Financial Statements. Refer to Section 12 of this MD&A for more information on these measures of segment profit.

Risks and forward-looking information

Parkland's financial and operational performance is potentially affected by a number of factors including, but not limited to, the factors described within the Forward-looking Information section and Risk factors section of this MD&A, the Annual MD&A and the Annual Information Form. The information within these sections of this MD&A is based on Parkland's current expectations, estimates, projections and assumptions that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is subject to a number of risks and uncertainties beyond Parkland's control including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under Section 8 of this MD&A and the Risk Factors section of the Annual Information Form. Readers are cautioned that such forward-looking information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 13 of this MD&A for further details.

1. PARKLAND OVERVIEW

Parkland Fuel Corporation ("Parkland" or "the Company") is a fast-growing independent fuel and petroleum marketer and leading convenience store operator with operations across the Americas. The Company serves customers through its retail, commercial and wholesale sales channels, and optimizes its fuel supply to each by operating its refinery located in Burnaby, British Columbia (the "Burnaby Refinery"), as well as leveraging a growing portfolio of supply relationships and storage and logistics infrastructure. Parkland provides trusted and locally relevant fuel brands and convenience stores in the communities it serves. The company is designed to capture value across its entire value chain and is advancing its proven strategy of growing organically, realizing a strong supply advantage, acquiring prudently and integrating successfully. Parkland is focused on expanding margins across its fuel and non-fuel categories, and its diversified and resilient platform provides stability and multiple avenues for growth.

2. PERFORMANCE OVERVIEW

(\$ millions, unless otherwise noted)	Three months ended March 31,		
Financial Summary	2020 ⁽⁵⁾	2019 ⁽⁵⁾	2018 ⁽⁵⁾
Sales and operating revenue	4,359	4,215	3,342
Fuel and petroleum product volume (million litres)	5,975	5,336	4,211
Adjusted gross profit ⁽¹⁾	593	697	430
Adjusted EBITDA including non-controlling interest ("NCI")	214	339	153
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	191	315	153
Supply	39	143	71
Canada ⁽²⁾	103	117	107
International	67	71	—
USA	18	11	4
Corporate	(36)	(27)	(29)
Net earnings (loss)	(74)	91	20
Net earnings (loss) attributable to Parkland	(79)	77	20
Net earnings (loss) per share (\$ per share)			
Per share – basic	(0.53)	0.53	0.15
Per share – diluted	(0.53)	0.52	0.15
Dividends	45	43	38
Per share outstanding	0.3002	0.2951	0.2902
Weighted average number of common shares (million shares)	148	145	131
TTM distributable cash flow ⁽³⁾⁽⁶⁾	417	512	142
Per share ⁽³⁾⁽⁴⁾⁽⁶⁾	2.82	3.76	1.13
TTM adjusted distributable cash flow ⁽³⁾⁽⁶⁾	444	595	315
Per share ⁽³⁾⁽⁴⁾⁽⁶⁾	3.00	4.38	2.50
TTM dividends ⁽⁶⁾	179	164	148
TTM dividend payout ratio ⁽³⁾⁽⁶⁾	43 %	32 %	104 %
TTM adjusted dividend payout ratio ⁽³⁾⁽⁶⁾	40 %	28 %	47 %
TTM weighted average number of common shares (million shares)	148	136	126
Total assets	9,446	8,998	5,492
Shares outstanding (millions)	149	146	132
Total Funded Debt to Credit Facility EBITDA ratio ⁽³⁾⁽⁷⁾	2.93	2.71	2.74
Interest coverage ratio ⁽⁵⁾	5.78	7.18	6.00
Growth capital expenditures attributable to Parkland ⁽³⁾	31	29	10
Maintenance capital expenditures attributable to Parkland ⁽³⁾	118	50	76

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ For comparative purposes, information for the three months ended March 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Calculated using the weighted average number of common shares.

⁽⁵⁾ 2020 and 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year and are not restated to reflect the impact of IFRS 16, as is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽⁶⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽⁷⁾ Beginning in Q1 2020, Parkland includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI in Credit Facility EBITDA and includes long term debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI in Total Funded Debt. The amounts presented for 2019 and 2018 have not been restated.

Operational Highlights

During the first ten weeks of the first quarter of 2020, Parkland focused on its strategy to grow organically, provide a strong supply advantage, acquire prudently and integrate and enable our teams to succeed. In the last two weeks of the first quarter of 2020, Parkland responded quickly and prudently to the ongoing COVID-19 pandemic ("COVID-19") to maintain its operational flexibility by quickly tapering the 2020 capital program and reducing costs to reflect the current business environment. Despite the challenges of the current environment, Parkland's strong execution, supported by its integrated, agile and resilient business model, diverse geographic platform, and extensive product offering, is demonstrated by the following strategic and operational successes during the first quarter of 2020:

- We safely and successfully executed the 2020 Burnaby Refinery Turnaround (the "Turnaround"), despite increased challenges due to COVID-19, while maintaining uninterrupted fuel supply for customers.
- Our continued co-processing of bio-feeds at the Burnaby Refinery helped Parkland meet provincial and federal climate regulations and establish itself as a leader in low-carbon fuel refining.
- Our inventory hedging strategy increased margins in Supply, offsetting the impacts of falling crude oil and refined product commodity prices in the first quarter of 2020.
- We successfully launched Parkland's loyalty program JOURNIE™ Rewards in 490 retail stations across several of Parkland's brands in Canada.
- We continued the conversion of retail sites into On the Run / Marché Express branded sites, completing 11 site conversions during the first three months of 2020 in Canada.
- We successfully set up the technology platform linking our Ultramar, Bluewave Energy, Chevron, and Columbia Fuels cardlock assets into a single network that serves as the foundation of our National Fuelling Network ("NFN") Platform with a national fleet card, to be offered to customers in the first half of 2020.
- We experienced strong volume growth driven by the implementation of growth initiatives and additional supply and trading capability in International. Marine bunkering and aviation fuel volumes also increased as a result of a better-than-expected tourist season, and marine bunkering synergies with USA's Tropic Oil.
- Growth continued in the first quarter of 2020 with the acquisition of Kellerstrass, strengthening the Rockies Regional Operating Centre ("ROC") by adding a best-in-class retail dealer business and additional commercial fuel distribution capabilities and continuing to successfully integrate our recent acquisitions in USA.
- We demonstrated a continued disciplined approach to cost management across the Company.

See Section 9 of this MD&A for continuing and future strategic initiatives considering the current economic environment.

Financial Highlights

During the three months ended March 31, 2020, Parkland took prudent and proactive action to increase operational flexibility and maintain balance sheet strength during COVID-19.

- We reduced 2020 capital program from \$575 million to \$275 million.
- We started the implementation of a restructuring plan as part of our drive to reduce fixed and variable costs to preserve cash flow and align our teams with our revised capital and growth plans.
- We implemented reduced salaries for the executive team and retainer fees for the Board of Directors effective April 1, 2020.
- We effectively operate with reduced working capital requirements as a result of lower commodity prices.
- Liquidity available as at March 31, 2020 was \$908 million, including \$349 million of cash and cash equivalents.
- Total Funded Debt to Credit Facility EBITDA ratio as at March 31, 2020 was 2.93, below the covenant restriction of 5.0.

See Section 9 of this MD&A for continuing and future strategic initiatives considering the current economic environment.

Adjusted EBITDA

Parkland recorded first quarter Adjusted EBITDA of \$191 million, representing a decrease of 39% compared to the same period in 2019, primarily as a result of the impact of the Turnaround at the Burnaby Refinery. Overall, the period-over-period variances in Adjusted EBITDA are due to:

- the decrease of \$104 million in Supply's Adjusted EBITDA, primarily due to the Turnaround at the Burnaby Refinery resulting in lower refining margins and increased costs as compared to the same period in 2019, which was partially offset by the contribution from our integrated logistics business;
- the lower volumes in Canada attributable to the first few weeks of COVID-19, warmer temperatures in Eastern provinces impacting commercial residential heating demand, and lower volumes of delivered diesel, which resulted from lower oil and gas and forestry activity in Western Canada;
- the lower fuel margins and commodity price volatility experienced in International as a result of disruption in supply and demand fundamentals resulting from OPEC's¹ decision to increase supply, and COVID-19, which was partially offset by strong volume growth in its wholesale supply business; and
- strong growth in USA due to the 2019 USA Acquisitions, strong retail and marine fuel margins, and Parkland's continued focus on its strategy to drive new business, grow organically and manage costs.

Net earnings (loss)

Net loss attributable to Parkland was \$79 million for the first quarter of 2020, representing a decrease of \$156 million in net earnings compared to the same period in 2019. The following account for the significant changes in net earnings (loss) for the first quarter of 2020 in addition to the decrease in Adjusted EBITDA as discussed above:

- Net losses included in other (gains) and losses reduced the net earnings by \$61 million primarily due to valuation losses of \$105 million on the fair value of Redemption Options of the Senior Notes, attributable to the increased credit spreads, which more than offset the decrease in the risk-free interest rates. This was offset by a \$28 million gain on the revaluation of the environmental provision and a \$13 million gain on the revaluation of the redemption value of the Sol Put Option due to an increase in the discount rates.
- The changes in unrealized foreign exchange reduced the net earnings by \$43 million period over period. The first quarter of 2020 had a \$11 million unrealized loss on foreign exchange driven primarily by the translation of USD-denominated trade payable, Intermediation Facility and Credit Facility balances in a weak Canadian dollar environment. Further, the first quarter of 2019 had a \$32 million unrealized gain on foreign exchange driven primarily by the translation impact of the 6.00% US Senior Notes prior to the designation of the Net Investment Hedge (see Section 8 of this MD&A) and the USD-denominated Intermediation Facility in a stronger Canadian dollar environment.
- Income tax expense decreased \$55 million the first quarter of 2020 as compared to the same period in 2019 due to lower taxable earnings.
- Acquisition, integration and other costs decreased \$14 million for the first quarter of 2020 due to lower costs compared to the same quarter in 2019, when costs associated with the Sol Transaction and Phase II of the Chevron TSA were incurred.
- Depreciation and amortization increased \$14 million for the first quarter of 2020 compared to the same period in 2019. The change was driven by additional property, plant and equipment and intangible assets, from both organic growth and the 2019 USA Acquisitions (as defined in Section 3 of this MD&A), as well as an increase in the foreign exchange rate compared to the same period in 2019.
- Finance costs decreased \$12 million for the first quarter of 2020 compared to the same period in 2019 as the financing costs related to the amendment of the Credit Facility in connection with the Sol Transaction were recognized in the first quarter of 2019.

¹ Organization of Petroleum Exporting Countries and other oil producing nations.

Cash flow and liquidity

- Parkland's strong balance sheet and working capital management, available levels of liquidity and cash-generating ability allow us to maintain operational flexibility. Cash flow from operating activities of \$258 million for the first quarter of 2020 fully funded growth and maintenance capital expenditures, dividend payments and the Kellerstrass Acquisition.
- As at March 31, 2020, Parkland was in compliance with all debt covenants. The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios of 0.51 and 2.93 are below the covenant restrictions of 3.50 and 5.00, respectively. The Interest coverage ratio of 5.78 is well above the covenant restriction of 3.00. Although the Adjusted EBITDA was lower due to the Turnaround, this did not affect the Credit Facility EBITDA due to the normalization for the effect of the Turnaround in the Credit Facility EBITDA calculation pursuant to the terms of Parkland's credit agreement. See Section 12.

Dividends and dividend payout ratio

- In 2020, Parkland raised its per share dividend for the 8th consecutive year. Dividends of \$45 million were paid to shareholders for the first quarter of 2020. This is higher than in the respective period in 2019 due to a \$0.02 per share increase in the annual dividend to \$1.214 per share effective March 20, 2020.
- The adjusted dividend payout ratio increased by 12 p.p. to 40% for the trailing twelve months ended March 31, 2020 due to lower distributable cash flow. The lower distributable cash flow was primarily due to the increase in Adjusted EBITDA largely driven by the Sol Transaction, the 2019 USA Acquisitions and the adoption of IFRS 16, which was more than offset by an increase in income tax, a higher maintenance capital expenditure and higher interest payments driven by the Sol Transaction, and the decrease in Adjusted EBITDA and higher maintenance capital expenditures for the first quarter of 2020 due to the Turnaround at the Burnaby Refinery.

Capital expenditures attributable to Parkland

Parkland responded prudently to COVID-19 by reducing its 2020 capital program (see Section 9 of this MD&A) consistent with our priority to maintain financial flexibility and balance sheet strength in the current uncertain economic environment. The revised capital expenditure program still enables Parkland to maintain leadership in low-carbon fuel refining, enhance our supply capability through infrastructure investments and build additional digital capability such as the JOURNIE™ Rewards program.

- Growth capital expenditures attributable to Parkland were \$31 million for the first quarter of 2020, primarily focused on network development and improving our customer value proposition in Canada and other capital projects at the Burnaby Refinery.
- Maintenance capital expenditures attributable to Parkland were \$118 million for the first quarter of 2020, primarily focused on the Turnaround and other ongoing maintenance projects at the Burnaby Refinery.

Health, safety and environment ("HS&E")

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. During the three months ended March 31, 2020, Parkland's total recordable injury frequency ("TRIF"), on a trailing-twelve month basis, improved to 1.30, compared to 1.71 for the three months ended March 31, 2019, demonstrating Parkland's commitment to safety.

During this period of uncertainty as a result of COVID-19, Parkland's priority is the health and safety of employees and customers while continuing to provide essential services to the communities in which it operates.

3. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Refer to Note 20 of the Interim Condensed Consolidated Financial Statements for a description of Parkland's segments.

Supply

Supply serves the Canada, USA and International segments, in addition to external customers, and consists of logistics, marketing, supply, distribution and a 55,000-bpd refinery located in Burnaby, British Columbia. This segment provides Parkland's supply advantage by manufacturing transportation fuels, procuring feedstocks and fuels from third parties, and transporting (via ship, rail, truck and pipeline), storing and marketing fuels, crude oil and liquid petroleum gases ("LPGs") to serve a wide range of customers across North America and the Caribbean. Supply also manufactures and sells aviation fuel to airlines operating out of the Vancouver International Airport. Refer to the 2019 Annual MD&A for a detailed overview of Supply's sales categories and operations.

Supply utilizes the expertise of its people to safely and reliably build resilient, cost-effective and optimized supply chains. Throughout many fuel value chains, Supply brings experience in manufacturing, multi-modal logistics, terminalling, supplier relationships, risk management and a strong customer focus to deliver value to the Parkland enterprise.

Supply segment performance highlights

Supply's Adjusted EBITDA was \$39 million for the first quarter of 2020, compared to \$143 million for the same period in 2019. The \$104 million decrease in Adjusted EBITDA as compared to the first quarter of 2019 primarily related to the Turnaround, which began in early February and was completed in the last week of April. Supply safely and successfully executed the Turnaround although the planned duration was extended slightly due to labour and productivity challenges associated with COVID-19. The Supply team reliably sourced and maintained uninterrupted fuel supply for customers during the Turnaround.

(\$ millions, unless otherwise noted)	As reported			
	Three months ended March 31,			
	2020	2019	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,585	1,441	144	10 %
Sales and operating revenue	695	720	(25)	(3)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	131	232	(101)	(44)%
Non-fuel adjusted gross profit ⁽²⁾	5	4	1	25 %
Adjusted gross profit ⁽²⁾	136	236	(100)	(42)%
Operating Costs	87	84	3	4 %
Marketing, General and Administrative	10	9	1	11 %
Adjusted EBITDA	39	143	(104)	(73)%
KPIs:				
Refinery utilization ⁽³⁾	30.9%	92.0%	(61.1 p.p.)	
Crude throughput ⁽³⁾ (000's bpd)	17.0	50.6	(33.6)	(66)%

⁽¹⁾ Includes external gasoline, diesel, propane, crude oil and other volumes. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada segment, are excluded from these reported volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ See Section 12 of this MD&A for a description of this KPI.

Q1 2020 vs. Q1 2019

Fuel and petroleum product volume increased by 144 million litres for the first quarter of 2020 as compared to the first quarter of 2019 due to the growth of our supply and distribution business to support business initiatives across North America.

Sales and operating revenue decreased \$25 million for the first quarter of 2020 primarily due to the impact of the Turnaround as well as the steep declines in commodity prices, partially offset by increased activity associated with our new US supply business.

Adjusted gross profit decreased \$100 million for the first quarter of 2020 primarily due to the planned shutdown of the Burnaby Refinery for the Turnaround, which lowered refining utilization and associated margins as compared to the same period in 2019 as well as higher costs of Hydrogenation Derived Renewable Diesel ("HDRD") blending to meet British Columbia's low carbon requirements. Higher costs at the Burnaby Refinery were partially offset by margins related to Burnaby product sourcing initiatives during the Turnaround, and strong results from our integrated logistics business. Supply also capitalized on its risk management expertise to capture margin through its inventory hedging strategy.

Operating Costs increased \$3 million for the first quarter of 2020 primarily due to increased labour and other costs associated with the execution of the Turnaround. This increase was partly offset by reduced fuel, utilities, catalyst and chemical costs as a result of the Burnaby Refinery being shut down for the Turnaround. During the first quarter of 2020, \$82 million of Turnaround costs were incurred, of which \$55 million was capitalized within maintenance capital expenditures and \$27 million was expensed within Operating Costs.

Marketing, General and Administrative expenses remained relatively flat for the first quarter of 2020.

KPIs

Refinery utilization is a key performance indicator that measures crude oil throughput and is expressed as a percentage of the 55,000-bpd total crude distillation capacity. Refinery utilization and average refinery crude throughput for the first quarter of 2020 were 30.9% and 17,000 bpd, respectively. The significant drop in both refinery utilization and crude throughput in the first quarter of 2020 as compared to the respective period in 2019 was expected due to the impact of the Burnaby Refinery shutdown for the Turnaround.

Canada

Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020.

Canada supplies and supports a coast-to-coast network of 1,849 retail gas stations, 163 cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers. Canada operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer. In addition, Canada operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. In addition, Canada serves its commercial customer base through a family of brands including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, Sparlings Propane and PNE Propane. Refer to the 2019 Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

Canada segment performance highlights

Canada delivered Adjusted EBITDA of \$103 million in the first quarter of 2020, representing a decrease of \$14 million as compared to the same period in 2019, primarily due to lower demand in volumes attributed to COVID-19, warmer temperatures in Eastern provinces impacting commercial residential heating oil (9% fewer heating degree days compared to the same period in 2019) and diesel, which was impacted by lower oil and gas and forestry activity in Western Canada.

The Canadian operations achieved a number of notable successes during the first quarter of 2020, including: delivering 17 consecutive quarters of C-Store SSSG; the successful launch of JOURNIE™ Rewards in 490 retail stations across several of Parkland's brands, including Chevron, Pioneer and Ultramar sites in Ontario; the addition of four Company new-to-industry sites; the conversion of eleven On the Run / Marché Express locations; and significant progress towards the launch of the NFN Platform with a national fleet card, which will be offered to customers in the first half of 2020 and will link bulk delivered, cardlock, and other service offerings into a national platform for commercial customers.

JOURNIE™

Parkland's JOURNIE™ Rewards program, with CIBC as its strategic banking partner, commenced national roll-out in January. Initial results from the program remain encouraging with strong membership acquisition and engagement. Due to COVID-19-related reduced site traffic and safety concerns, Parkland deferred its expansion and marketing campaigns for JOURNIE™ Rewards. Parkland plans to proceed with the national roll-out strategy when the current environment improves.

(\$ millions, unless otherwise noted)	As reported			
	Three months ended March 31,			
	2020	2019 ⁽⁷⁾	Change	%
Retail volume (million litres)	1,529	1,608	(79)	(5)%
Commercial and other volume (million litres)	831	893	(62)	(7)%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	2,360	2,501	(141)	(6)%
Sales and operating revenue	1,884	2,115	(231)	(11)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	195	218	(23)	(11)%
Non-fuel adjusted gross profit ⁽²⁾	47	48	(1)	(2)%
Adjusted gross profit ⁽²⁾⁽³⁾	242	266	(24)	(9)%
Operating Costs	117	122	(5)	(4)%
Marketing, General and Administrative	23	28	(5)	(18)%
Other adjusting items	(1)	(1)	—	— %
Adjusted EBITDA	103	117	(14)	(12)%
KPIs:				
Fuel and petroleum product adjusted gross profit (cpl)	8.26	8.72	(0.46)	(5)%
Operating Costs (cpl)	4.96	4.88	0.08	2 %
Marketing, General and Administrative (cpl)	0.97	1.12	(0.15)	(13)%
Adjusted EBITDA (cpl)	4.36	4.68	(0.32)	(7)%
Company Volume SSSG ⁽⁴⁾⁽⁵⁾⁽⁶⁾	(4.3)%	1.4%	(5.7p.p.)	
Company C-Store SSSG ⁽⁴⁾⁽⁵⁾⁽⁶⁾	0.4 %	7.3%	(6.9p.p.)	

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Adjusted gross profit consists of: (i) fuel and petroleum product adjusted gross profit primarily from gasoline and diesel sales, and (ii) non-fuel adjusted gross profit primarily from convenience store merchandise sales, convenience store rents, car wash revenue, and other ancillary sales.

⁽⁴⁾ SSSG denotes same-store sales growth. See Section 12 of this MD&A for an explanation of this KPI.

⁽⁵⁾ Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.

⁽⁶⁾ For comparative purposes, Company Volume SSSG and Company C-Store SSSG have been restated for a change in definition. See Section 12 of this MD&A.

⁽⁷⁾ For comparative purposes, information for the three months ended March 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020.

Q1 2020 vs. Q1 2019

After a solid start to the year, fuel and petroleum product volume decreased 141 million litres for the first quarter of 2020, mainly due to lower demand in volumes during the last two weeks of March 2020 attributed to COVID-19, warmer temperatures in Eastern provinces impacting commercial residential heating oil, and lower oil and gas and forestry activities in Western Canada reducing delivered diesel volumes. As a result, fuel and petroleum product adjusted gross profit decreased \$23 million for the first quarter of 2020. Despite the challenges of COVID-19, Parkland's convenience store sales were resilient in the first quarter of 2020 and non-fuel adjusted gross profit remained relatively flat.

Sales and operating revenue decreased \$231 million for the first quarter of 2020, primarily due to lower volumes combined with lower fuel and petroleum product commodity prices.

Operating Costs and Marketing, General and Administrative expenses each decreased \$5 million for the first quarter of 2020, primarily due to decreased labour costs from cost optimization efforts as a response to lower demand due to COVID-19.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 0.46 cpl for the first quarter of 2020 primarily due to margin erosion in certain retail markets in January and February. March retail gasoline margins improved, but were offset by lower-than-normal inventory turns as a result of lower demand due to COVID-19.

As discussed above, Operating Costs on a cpl basis remained relatively flat for the first quarter of 2020.

Similarly, Marketing, General and Administrative expenses on a cpl basis decreased 0.15 cpl for the first quarter of 2020 mainly due to labour cost optimization efforts.

For the first two months of 2020, Company retail fuel volumes were comparable to the same period of 2019. However, as economic activity declined in the second half of March due to COVID-19, Company Volume SSSG was (4.3)% for the first quarter of 2020 overall, compared to 1.4% for the same period in 2019. Excluding the impact of the last two weeks of March 2020, Company Volume SSSG was 1.5% for the first quarter of 2020.

Parkland's convenience store operations have been resilient through the impacts of COVID-19 in March. Parkland has been able to maintain positive C-Store SSSG for 17 consecutive quarters. Company C-Store SSSG was 0.4% for the first quarter of 2020 compared to 7.3% for the same period in 2019 as declines from lower economic activity were offset by the contribution from ongoing marketing programs including the new On the Run / Marché Express store concepts, Amazon Hub and rollout of the proprietary private label brand 59th Street Food Co™. Excluding cigarettes, Company C-Store SSSG was 0.9% for the first quarter of 2020 as compared to 6.3% for the same period in 2019.

Site count by business model

The following table provides site count by business model within Canada's operations:

	Total
Company retail sites	645
Dealer retail sites	1,204
Commercial cardlock	163
Site count, as at March 31, 2020	2,012
Company retail sites	641
Dealer retail sites	1,222
Commercial cardlock	163
Site count, as at December 31, 2019	2,026
Net change in site count	(14)

The change in site count is attributable to network plan optimization and routine site count fluctuations as a result of new site builds (also known as new-to-industry, or NTI sites), new dealers, site conversions, site sales, site closures, or site rebranding. Four NTI sites were added in the first three months of 2020, increasing the number of Company sites from 641 to 645. The site count for the dealer sites decreased by 18 sites in the first three months of 2020 from 1,222 to 1,204 as a result of adding 5 new sites and closing 23 under-performing sites. Cardlock sites remained the same for the first three months of 2020.

International

Parkland owns 75% of the outstanding shares of Sol Investments SEZC ("Sol"), which was acquired on January 8, 2019 (the "Sol Transaction"). With sales and operations in 23 countries, Sol is the largest independent fuel marketer in the Caribbean, with its retail channel serving customers under the Esso, Shell and Sol brands, and its commercial channel delivering gasoline, diesel, fuel oil, propane, lubricants and jet fuel to customers in various geographies and sectors. Refer to the 2019 Annual MD&A for a detailed description of International's multi-brand strategy and business models.

The results for the three months ended March 31, 2019 comparative period excludes activities and earnings generated prior to the Sol Transaction on January 8, 2019.

International segment performance highlights

International achieved Adjusted EBITDA attributable to Parkland of \$67 million in the first quarter of 2020, compared to \$71 million for the same period in 2019. Adjusted EBITDA attributable to Parkland represents Parkland's 75% interest in International. International saw strong volume growth of 31% driven by growth in its wholesale supply business and exceptional marine bunkering and jet fuel volumes in the Eastern Caribbean from January to the first half of March. The strong volume growth was offset by lower fuel unit margins and the impact of commodity price volatility, primarily as a result of disruption in supply and demand fundamentals resulting from OPEC+ decision to increase supply, and COVID-19.

(\$ millions, unless otherwise noted)	As reported			
	Three months ended March 31,			
	2020	2019	Change	%
Retail volume ⁽¹⁾ (million litres)	406	424	(18)	(4)%
Commercial and other volume ⁽¹⁾ (million litres)	990	639	351	55 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,396	1,063	333	31 %
Sales and operating revenue ⁽¹⁾	1,228	1,062	166	16 %
Fuel and petroleum product adjusted gross profit ⁽¹⁾⁽²⁾	132	127	5	4 %
Non-fuel adjusted gross profit ⁽¹⁾⁽²⁾	29	30	(1)	(3)%
Adjusted gross profit ⁽¹⁾⁽²⁾	161	157	4	3 %
Operating Costs ⁽¹⁾	47	43	4	9 %
Marketing, General and Administrative ⁽¹⁾	27	22	5	23 %
Other adjusting items ⁽¹⁾	(3)	(3)	—	— %
Adjusted EBITDA including NCI ⁽¹⁾	90	95	(5)	(5)%
Less: Adjusted EBITDA attributable to NCI	23	24	(1)	(4)%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	67	71	(4)	(6)%
KPIs:				
Fuel and petroleum product adjusted gross profit (cpl)	9.46	11.95	(2.49)	(21)%
Operating Costs (cpl)	3.37	4.05	(0.68)	(17)%
Marketing, General and Administrative (cpl)	1.93	2.07	(0.14)	(7)%
Adjusted EBITDA (cpl) ⁽³⁾	6.40	8.91	(2.51)	(28)%

⁽¹⁾ At 100% Sol interest.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Beginning in the fourth quarter of 2019, Parkland calculates Adjusted EBITDA on a cpl basis using fuel and petroleum product volume attributable to Parkland, for all periods presented.

Q1 2020 vs. Q1 2019

Fuel and petroleum product volume increased 31%, primarily driven by an increase in commercial and other volumes, which includes wholesale sales, due to growth initiatives and the addition of sales capabilities in late 2019. The wholesale supply business is generally higher-volume and lower-margin in nature. International experienced strong marine bunkering and aviation fuel volumes in the Eastern Caribbean as a result of a better-than-expected tourist season from January to mid-March and marine bunkering synergies with Tropic Oil. The growth in commercial and other volumes was offset by a 4% decline in retail volumes, primarily attributable to reduced demand in the latter half of March as a result of varying levels of COVID-19-related social distancing measures implemented across various countries.

Sales and operating revenue increased 16%, primarily driven by increased volumes, partially offset by lower fuel and petroleum product commodity prices and lower margins.

Fuel and petroleum adjusted gross profit increased by \$5 million, or 4%, primarily due to higher volumes in marine bunkering and aviation and the impact of our risk management program, partially offset by lower volumes due to COVID-19-related demand destruction and lower margins resulting from higher cost of sales.

Non-fuel adjusted gross profit is primarily generated from service revenue, lubricants, rental revenue and convenience store royalties. Non-fuel adjusted gross profit declined 3% primarily due to reduced demand as a result of COVID-19.

Operating costs and Marketing, General and Administrative expenses increased 9% and 23% respectively as a result of costs incurred to support the growing business and higher volumes.

Other adjusting items included in Adjusted EBITDA primarily consist of earnings from Sol's 29% interest in the SARA Refinery, located in Martinique.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 21% primarily as a result of high commodity price volatility and COVID-19-related demand reduction experienced in the latter part of the quarter, as well as the effects of increased wholesale supply volumes, which are generally higher-volume and lower-margin in nature.

Operating Costs and Marketing, General and Administrative expenses on a cpl basis decreased 17% and 7%, respectively, primarily due to the benefit of increased volumes.

International's KPIs and metrics are not comparable to other Parkland segments as International operates multiple distribution channels in geographical environments that are substantively different from operations in Canada and the USA.

Retail site count by business model

The following table provides retail site count by business model within the International segment:

	Total
Company-owned or company-leased	259
Dealer-owned and dealer-operated	237
Site count, as at March 31, 2020	496
Company-owned or company-leased	259
Dealer-owned and dealer-operated	237
Site count, as at December 31, 2019	496
Net change in site count	—

USA

USA (formerly "Parkland USA") includes a network of gas stations and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Idaho, Minnesota, Montana, New Mexico, Nevada, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland export opportunities for products from western Canada as well as synergies with International and Supply. Brands in this segment include Farstad Oil, Rhinehart Oil, Tropic Oil, Superpumper, and Harts. Refer to the 2019 Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

2020 USA Acquisition

During the first quarter of 2020, Parkland successfully completed the acquisition of all of the issued and outstanding equity interests of Kellerstrass Enterprises, LLC ("Kellerstrass") as well as equity interests and the assets of certain of its affiliates (collectively the "Kellerstrass Acquisition") on February 14, 2020.

Kellerstrass Acquisition

The Kellerstrass Acquisition added nine distribution facilities and five cardlocks. The Kellerstrass business continues to strengthen the Rockies ROC by adding a high-quality, 84-site retail dealer business as well as additional commercial fuel distribution and a 17-car rail spur.

2019 USA Acquisitions

During the year ended December 31, 2019, Parkland successfully completed the acquisition of: (i) certain assets and liabilities of Mort Distributing Inc. ("Mort") on December 17, 2019; (ii) all of the issued and outstanding equity interests of Tropic Oil Company, Inc. ("Tropic") as well as equity interest and the assets of certain of its affiliates (collectively the "Tropic Acquisition") on October 1, 2019; and (iii) certain assets and liabilities of Ken Bettridge Distributing Inc. ("KB Oil") on June 1, 2019, all of which were accounted for as individually separate business combinations (collectively the "2019 USA Acquisitions").

Tropic Acquisition

The Tropic Acquisition added four bulk storage plants and warehouses and nine cardlock facilities. The Tropic business distributes and markets a full range of commercial fuels and lubricants across the central and southern Florida region. The Tropic Acquisition established a new ROC in the South East tributary. This ROC will be the operating platform that drives organic growth and enables further acquisitions across the region that can leverage substantial existing capacity within current bulk storage terminals and warehouses. It will also serve as a gateway to connect to our International business and customer base.

USA segment performance highlights

USA's Adjusted EBITDA increased by \$7 million for the first quarter of 2020 compared to the respective period in 2019, primarily due to the 2019 USA Acquisitions as well as Parkland's continued focus on its strategy to drive new business, grow organically and manage costs. In addition to the positive impact of these acquisitions, USA delivered organic growth from continued focus on national accounts and joint marketing efforts with International and Supply.

(\$ millions, unless otherwise noted)	As reported			
	Three months ended March 31,			
	2020	2019	Change	%
Retail volume (million litres)	58	51	7	14 %
Wholesale and Commercial volume (million litres)	576	280	296	106 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	634	331	303	92 %
Sales and operating revenue	552	318	234	74 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	34	15	19	127 %
Non-fuel adjusted gross profit ⁽²⁾	29	23	6	26 %
Adjusted gross profit ⁽²⁾	63	38	25	66 %
Operating Costs	35	21	14	67 %
Marketing, General and Administrative	10	6	4	67 %
Adjusted EBITDA	18	11	7	64 %
KPIs:				
Fuel and petroleum product adjusted gross profit (cpl)	5.36	4.53	0.83	18 %
Operating Costs (cpl)	5.52	6.34	(0.82)	(13)%
Marketing, General and Administrative (cpl)	1.58	1.81	(0.23)	(13)%
Adjusted EBITDA (cpl)	2.84	3.32	(0.48)	(14)%

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

Q1 2020 vs. Q1 2019

Fuel and petroleum product volume increased 303 million litres for the first quarter of 2020 compared to the respective period in 2019 as a result of the 2019 USA Acquisitions, the Kellerstrass Acquisition, and organic growth. The base business experienced growth from the national account team and ROCs working together to supply larger customers. The increase in volumes resulted in a \$234 million increase in sales and operating revenue for the first quarter of 2020 compared to the same period in 2019.

Adjusted gross profit increased \$25 million for the first quarter of 2020, primarily due to the 2019 USA Acquisitions, the Kellerstrass Acquisition, and organic growth. Adjusted gross profit for the first quarter of 2020 also benefited from strong retail and marine fuel margins.

Operating Costs and Marketing, General and Administrative expenses increased \$14 million and \$4 million respectively for the first quarter of 2020, primarily due to the 2019 USA Acquisitions and the Kellerstrass Acquisition.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 18% for the first quarter of 2020 primarily due to the 2019 USA Acquisitions, the Kellerstrass Acquisition, and strong retail margin performance as noted above. In addition, our marine business performed well and captured additional margin during the cruise industry's busy season.

Operating Costs and Marketing General and Administrative expenses both decreased 13% on a cpl basis for the first quarter of 2020 due to the Tropic Acquisition and the Kellerstrass Acquisition, which have higher fuel and petroleum product volumes and lower Operating Costs and Marketing, General and Administrative expenses.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they increase at a slower pace than Parkland's adjusted gross profit. Despite the continued disciplined approach to cost management, Marketing, General and Administrative expenses as a percentage of total adjusted gross profit increased to 4.6% for the first quarter of 2020 from 3.9% for the same period in 2019, primarily due to a decline in total adjusted gross profit of 14.9% in the first quarter of 2020 as compared to the same period in 2019, driven by the Turnaround and the economic impacts of COVID-19 during the last two weeks of March.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	As reported			
	Three months ended March 31,			
	2020	2019	Change	%
(Gain) loss on foreign exchange - realized	11	—	11	100 %
Other adjusting items	(2)	—	(2)	100 %
Marketing, General and Administrative	27	27	—	— %
Adjusted EBITDA expense	36	27	9	33 %
Acquisition, integration and other costs				
Acquisition costs	2	5	(3)	(60)%
Integration costs	2	18	(16)	(89)%
Restructuring and other costs	17	12	5	42 %
	21	35	(14)	(40)%
KPI:				
Corporate Marketing, General and Administrative expenses as a % of total adjusted gross profit	4.6%	3.9%	0.7p.p.	

Q1 2020 vs. Q1 2019

Corporate Marketing, General and Administrative expense remained relatively unchanged for the first quarter of 2020 as compared to the same period in 2019 due to the continued disciplined approach to cost management. However, Corporate Adjusted EBITDA expense increased by \$9 million primarily due to realized foreign exchange losses resulting from repayments of USD-denominated debt and liabilities in a weaker Canadian dollar environment.

As Parkland continues to grow organically and via acquisitions, its operations have become more integrated, requiring more efficient and effective Corporate functions to support the larger integrated businesses and build internal capabilities. Despite this organizational growth, Marketing, General and Administrative expenses remained relatively consistent for the first quarter of 2020 as compared to the same period in 2019.

Acquisition, integration and other costs reflected in the Corporate segment decreased \$14 million for the first quarter of 2020 as compared to the same period in 2019. The decrease in the first quarter of 2020 is mainly due to lower costs compared to the same quarter in 2019, when costs associated with the Sol Transaction and Phase II of the Chevron TSA were incurred.

Restructuring and other costs for the first quarter of 2020 include \$22 million of restructuring costs incurred as a response to lower demand due to COVID-19, as part of our drive to reduce fixed and variable costs and align our teams with our revised capital and growth plans. These costs were partially offset by the gains resulting from the revaluation of the DSU liability in the declining share price environment.

Health, safety and environment ("HS&E")

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. Parkland is committed to reducing injuries and incidents in our workplaces and at customer sites, actively involving our workers in enhancing, tracking and measuring our performance, and training our workers to ensure they have the knowledge and skills necessary to perform their work safely. Parkland has a number of internal HS&E programs in place, including "Stop, Think, Act", which reinforces a strong safety culture among all employees in the workplace, and "Drive to Zero", which aims to reduce safety incidents at Parkland down to zero. Parkland is prioritizing to protect the health and safety of employees during this period of uncertainty as a result of COVID-19, as the Company continues to provide essential services to the communities.

The table below presents Parkland's consolidated lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF") calculated on a trailing-twelve-month basis, including the results of the Sol Transaction, and the 2019 USA Acquisitions since the dates of their respective transaction closure. The improvement in safety metrics demonstrates Parkland's commitment to safety.

	March 31, 2020	March 31, 2019
TTM LTIF ⁽¹⁾	0.14	0.27
TTM TRIF ⁽¹⁾	1.30	1.71

⁽¹⁾ Key performance indicator. See Section 12 of this MD&A.

4. QUARTERLY FINANCIAL DATA

		Pre-IFRS 16							
(\$ millions, unless otherwise noted)	2020 ⁽⁸⁾	2019 ⁽⁸⁾				2018 ⁽⁸⁾			
For the three months ended	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Financial Summary									
Sales and operating revenue	4,359	4,779	4,605	4,854	4,215	3,506	3,811	3,783	3,342
Adjusted gross profit ⁽¹⁾	593	728	679	728	697	587	465	513	430
Adjusted EBITDA including NCI ⁽¹⁾	214	327	322	370	339	285	200	249	153
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	191	302	302	346	315	285	200	249	153
Supply	39	152	147	216	143	199	121	170	71
Canada ⁽²⁾	103	89	103	73	117	105	97	100	107
International	67	73	63	74	71	—	—	—	—
USA	18	15	17	13	11	11	8	5	4
Corporate	(36)	(27)	(28)	(30)	(27)	(30)	(26)	(26)	(29)
Net earnings (loss)	(74)	186	26	111	91	77	49	60	20
Net earnings (loss) attributable to Parkland	(79)	176	24	105	77	77	49	60	20
Net earnings (loss) per share (\$ per share)									
Per share – basic	(0.53)	1.19	0.16	0.72	0.53	0.58	0.37	0.45	0.15
Per share – diluted	(0.53)	1.17	0.16	0.70	0.52	0.57	0.36	0.45	0.15
Dividends	45	44	45	45	43	41	39	41	38
Per share outstanding	0.3002	0.2985	0.2985	0.2985	0.2951	0.2934	0.2934	0.2934	0.2902
Weighted average number of common shares (millions)	148	148	148	147	145	133	133	132	131
TTM distributable cash flow ⁽³⁾⁽⁹⁾	417	564	566	562	512	416	310	237	142
Per share ⁽⁵⁾⁽⁴⁾⁽⁹⁾	2.82	3.84	3.96	4.04	3.76	3.15	2.35	1.81	1.13
TTM adjusted distributable cash flow ⁽³⁾⁽⁹⁾	444	561	594	612	595	568	495	415	315
Per share ⁽³⁾⁽⁴⁾⁽⁹⁾	3.00	3.82	4.15	4.40	4.38	4.30	3.75	3.17	2.50
TTM dividends ⁽⁹⁾	179	177	174	168	164	159	157	156	148
TTM dividend payout ratio ⁽⁵⁾⁽⁹⁾	43 %	31%	31%	30%	32%	38%	51%	66%	104%
TTM adjusted dividend payout ratio ⁽⁵⁾⁽⁹⁾	40 %	32%	29%	27%	28%	28%	32%	38%	47%
TTM weighted average number of common shares (million shares) ⁽⁹⁾	148	147	143	139	136	132	132	131	126
Total assets	9,446	9,283	9,157	9,104	8,998	5,661	5,736	5,592	5,492
Total Funded Debt to Credit Facility EBITDA ratio ⁽⁵⁾	2.93	2.79	2.58	2.47	2.71	2.47	2.62	2.39	2.74
Interest coverage ratio ⁽⁵⁾	5.78	5.32	5.97	6.47	7.18	6.52	5.91	6.08	6.00
Growth capital expenditures attributable to Parkland ⁽⁵⁾	31	69	71	52	29	57	29	13	10
Maintenance capital expenditures attributable to Parkland ⁽⁵⁾	118	91	46	45	50	52	28	31	76
Operating Summary									
Fuel and petroleum product volume (million litres) ⁽⁵⁾	5,975	5,925	5,622	5,525	5,336	4,354	4,211	4,202	4,211
Fuel and petroleum product adjusted gross profit (cpl) ⁽⁶⁾									
Canada ⁽²⁾	8.26	8.05	7.61	6.90	8.72	8.12	7.52	8.02	8.60
International	9.46	8.98	10.22	10.71	11.95	—	—	—	—
USA	5.36	4.67	4.84	5.08	4.53	4.97	3.27	3.66	3.65
Refinery utilization ⁽⁷⁾	30.9 %	91.6%	96.2%	94.9%	92.0%	87.8%	97.7%	90.9%	33.2%

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ For comparative purposes, information for previous periods was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Calculated using the TTM weighted average number of common shares.

⁽⁵⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada segment, are excluded from this reported volume.

⁽⁶⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 12 of this MD&A.

⁽⁷⁾ Key performance indicator. See Sections 3 and 12 of this MD&A.

⁽⁸⁾ 2020 and 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year and are not restated to reflect the impact of IFRS 16, as is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽⁹⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

Over the last nine quarters, Parkland's quarterly results were primarily impacted by the Turnaround, COVID-19, the Sol Transaction, the 2020 USA Acquisition, the 2019 USA Acquisitions, and the 2018 USA Acquisitions². In particular:

- Adjusted Gross Profit and Adjusted EBITDA decreased in the first quarter of 2020 primarily driven by the Turnaround and the economic impacts of COVID-19 during the last two weeks of March. Fuel and petroleum product volumes increased due to the acquisitions in the period and organic growth of the business. Total assets increased in the first quarter of 2020, primarily due to the 2020 USA Acquisition and currency translation impact on assets of foreign subsidiaries in a weaker Canadian dollar environment.
- Fuel and petroleum product volumes, Adjusted gross profit, Adjusted EBITDA and Total assets in each quarter in 2019 were higher as compared to the same periods in 2018 due to the above noted factors and the impact of the adoption of IFRS 16 on Adjusted EBITDA. The fluctuations in Supply Adjusted EBITDA are largely driven by crack spreads, which change based on market conditions and drive refining margins.
- Net earnings generally grew throughout 2018 to 2019 due to the Sol Transaction, the 2019 USA Acquisitions and the 2018 USA Acquisitions. Exceptions to the growth trend are: the third quarter of 2019, due to increased finance costs primarily to fund the Sol Transaction and an increase in the redemption value of the Sol Put Option due to a decrease in discount rate; and the third quarter of 2018, due to relatively lower refining crack spreads.

² The 2018 USA Acquisitions are defined as the acquisitions previously completed in 2018, including those of Rhinehart and MVP.

5. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

	Three months ended March 31,		Trailing twelve months ended March 31,	
(\$ millions, unless otherwise noted)	2020	2019	2020	2019
Cash generated from (used in) operating activities	258	136	1,019	504
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(20)	(22)	(81)	(22)
	238	114	938	482
Reverse: Change in other liabilities and other assets	(21)	(17)	(53)	20
Exclude: Change in other liabilities	—	14	—	1
Reverse: Net change in non-cash working capital	(124)	62	(190)	166
Include: Maintenance capital expenditures attributable to Parkland ⁽¹⁾	(118)	(50)	(300)	(161)
Include: Proceeds on asset disposals	3	2	22	4
Distributable cash flow ⁽¹⁾	(22)	125	417	512
Reverse: Acquisition, integration and other costs	21	35	77	95
Reverse: Payments on principal amount on leases	(39)	(26)	(130)	(26)
Exclude: Payments on principal amount on leases attributable to NCI	5	3	21	3
Reverse: 2020 Turnaround maintenance capital expenditures	55	—	59	—
Reverse: 2018 Turnaround maintenance capital expenditures	—	—	—	11
Adjusted distributable cash flow ⁽¹⁾	20	137	444	595
Weighted average number of common shares (millions)	148	145	148	136
Distributable cash flow per share ⁽¹⁾⁽²⁾	(0.15)	0.86	2.82	3.76
Adjusted distributable cash flow per share ⁽¹⁾⁽²⁾	0.14	0.94	3.00	4.38
Dividends	45	43	179	164
Dividend payout ratio ⁽¹⁾	(205)%	34 %	43%	32%
Adjusted dividend payout ratio ⁽¹⁾	225 %	31 %	40%	28%
Dividends paid to shareholders, net of dividend reinvestment plan	31	27	118	103

⁽¹⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽²⁾ Calculated using the weighted average number of common shares.

Dividends

Dividends paid to shareholders increased for the first quarter of 2020, primarily due to a \$0.02 increase in annual dividend to \$1.214 per share effective March 20, 2020. The average dividend reinvestment plan participation rate for the first quarter of 2020 was 22.8%, which was lower than the participation rate of 34.8% for the same period in 2019.

Dividends paid to shareholders increased for the trailing twelve months ended March 31, 2020, primarily due to an increase in the number of common shares outstanding driven by the Sol Transaction, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. Furthermore, there was a \$0.02 increase in annual dividend to \$1.194 per share, effective March 22, 2019. The average dividend reinvestment plan participation rate for the trailing twelve months ended March 31, 2020 was 30.7%, which was lower than the participation rate of 35.2% for the same period ended March 31, 2019.

Distributable cash flow, adjusted distributable cash flow, dividend payout ratio and adjusted dividend payout ratio

Q1 2020 vs. Q1 2019

The dividend payout ratio was negative by 205 p.p. for the first quarter of 2020 due to lower distributable cash flow driven by lower Adjusted EBITDA and higher maintenance capital expenditures in Supply due to the Turnaround.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the Turnaround, and the payments on principal amount of leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow decreased \$117 million for the first quarter of 2020. The decrease in adjusted distributable cash flow was primarily due to lower Adjusted EBITDA and higher maintenance capital expenditures in Supply due to the Turnaround.

The adjusted dividend payout ratio increased by 194 p.p. for the first quarter of 2020 compared to the same period in 2019, primarily due to a higher level of dividends and a decrease in adjusted distributable cash flow as discussed above.

TTM Q1 2020 vs. TTM Q1 2019

The dividend payout ratio increased by 11 p.p. for the trailing twelve months ended March 31, 2020, due to lower distributable cash flow. The lower distributable cash flow was primarily due to the increase in Adjusted EBITDA largely driven by the Sol Transaction, the 2019 USA Acquisitions and the adoption of IFRS 16, which was more than offset by an increase in income tax, a higher maintenance capital expenditure and higher interest payments driven by the Sol Transaction, and the decrease in Adjusted EBITDA and higher maintenance capital expenditures for the first quarter of 2020 due to the Turnaround.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the turnarounds at the Burnaby Refinery, and the payments on principal amount of leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow decreased \$151 million for the trailing twelve months ended March 31, 2020. The decrease in adjusted distributable cash flow was primarily due to lower distributable cash flow as discussed above.

The adjusted dividend payout ratio increased by 12 p.p. to 40% for the trailing twelve months ended March 31, 2020 as compared to the same period in 2019, primarily due to a higher level of dividends and lower adjusted distributable cash flow as discussed above.

6. CASH FLOWS AND LIQUIDITY

Cash flows

The following table presents summarized information from the consolidated statements of cash flows:

(\$ millions)	Three months ended March 31,	
	2020	2019
Cash generated from (used in) operating activities	258	136
Cash generated from (used in) investing activities	(214)	(1,035)
Net cash generated (used) before financing activities	44	(899)
Cash generated from (used in) financing activities	50	1,124
Increase (decrease) in net cash	94	225
Impact of foreign currency translation on cash	33	(1)
Net cash, beginning of period	257	40
Net cash, end of period	384	264

Operating activities

Q1 2020 vs. Q1 2019

Parkland generated \$258 million cash from operating activities for the first quarter of 2020, driven by Adjusted EBITDA including NCI of \$214 million and the net change in non-cash working capital inflow of \$124 million, largely attributable to lower inventories and accounts receivable due to lower product demand and prices, partially offset by a decrease in accounts payable and income tax payments. This cash inflow was partially offset by \$74 million in interest payments on long-term debt and \$21 million in acquisition, integration and other costs primarily related to restructuring costs incurred as a response to COVID-19.

In contrast, operating activities generated \$136 million of cash for the first quarter of 2019 primarily due to \$339 million of Adjusted EBITDA including NCI, partially offset by net change in non-cash working capital outflow of \$62 million largely attributable to higher accounts receivable and higher inventories, \$49 million of interest paid on long-term debt used for financing acquisitions and \$35 million of acquisition, integration and other costs relating to the completions of the Sol Transaction and TSA II exit in the first quarter of 2019.

Investing activities

Q1 2020 vs. Q1 2019

Parkland invested \$214 million in the first quarter of 2020, including \$158 million in growth capital expenditures primarily focused on network development, initiatives to improve our customer value proposition in Canada and other capital projects at the Burnaby Refinery, and maintenance capital expenditures primarily focused on the Turnaround and other ongoing maintenance projects at the Burnaby Refinery, as well as \$64 million for the 2020 USA Acquisition. In contrast, the \$1,035 million used in investing activities for the same period in 2019 was primarily due to \$948 million for the Sol Transaction, and \$89 million of capital expenditures paid largely for growth and maintenance projects in retail operations of the Canada segment, and maintenance projects at the Burnaby Refinery.

Financing activities

Q1 2020 vs. Q1 2019

During the first quarter of 2020, financing activities generated \$50 million of cash, primarily attributable to net long-term debt proceeds of \$239 million, partially offset by \$119 million attributable to lower borrowings under the Intermediation Facility due to decreased inventory levels attributable to the Turnaround and lower demand and commodity prices, \$39 million of payments made on principal amount on leases under IFRS 16 and cash dividends paid of \$31 million, net of the dividend reinvestment plan.

In contrast, the \$1,124 million of cash generated during the first quarter of 2019 was primarily due to net long-term debt proceeds of \$1,183 million primarily for the Sol Transaction and an increase of \$54 million in the Intermediation Facility liability due to increases in commodity prices. This was offset by cash dividends paid, net of the dividend reinvestment plan of \$27 million and payments of \$26 million made on principal amounts of leases under IFRS 16.

Cash dividends paid to shareholders, net of the dividend reinvestment plan, remained relatively consistent as compared to the same period in 2019. During the first quarter of 2020, Parkland paid a monthly dividend of \$0.1012 per share (2019 - \$0.0995 per share).

Contractual commitments

Parkland has contracted obligations under various debt agreements, operating leases, capital expenditures and other contractual commitments exceeding a five-year period. Parkland's commitments increased from \$7,519 million as at December 31, 2019 to \$7,851 million as at March 31, 2020. This increase is primarily attributable to an increase in the Credit Facility debt and the impact of currency translation in a weaker Canadian dollar environment.

Fuel and petroleum products and other purchase commitments

In addition to the commitments described above, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services, which may terminate on short notice. Such obligations include commodity purchase obligations transacted at market prices. Furthermore, Parkland has entered into various purchase agreements that require it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods, which vary based on volumes and other factors. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products, and payments to the applicable suppliers of a predetermined amount of the commitments.

Available sources of liquidity

Parkland's sources of liquidity as at March 31, 2020 are cash and cash equivalents as well as available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flows to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity, and management believes cash flows from operations will be adequate to fund maintenance capital expenditures, interest, income taxes and dividends. Any future acquisitions will be funded by available cash flows from operations, debt and equity offerings if needed, and available borrowing capacity under the Credit Facility. Any additional debt incurred will also be serviced by the anticipated increases in cash flows and will only be borrowed within Parkland's debt covenant limits.

On January 8, 2019, in connection with the Sol Transaction, the existing Credit Facility was amended and restated to expand the available facility and extend the maturity date (the "Credit Facility"). The Credit Facility includes: a combined revolving facility amount of US\$780 million and \$400 million with a maturity date of January 8, 2023. The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. Security on the Credit Facility consists of the assignment of insurance and priority interests on all present and future Parkland properties and assets, except for those secured under the Intermediation Facility. Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

The following table provides a summary of available cash and cash equivalents and unused credit facilities:

(\$ millions)	March 31, 2020	December 31, 2019
Cash and cash equivalents	349	244
Unused credit facilities	559	748
	908	992

Financial covenants and metrics

As at March 31, 2020, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			March 31, 2020	December 31, 2019
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	0.51	0.38
2. Total Funded Debt to Credit Facility EBITDA ratio	< 5.00	2.00 - 3.50	2.93	2.79
3. Interest coverage ratio	> 3.00	> 3.00	5.78	5.32

The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios are well below the covenant restrictions of 3.50 and 5.00, respectively, and are in line with management's long-term targets. The Interest coverage ratio is well above the covenant restriction of 3.00. Refer to Section 12 of this MD&A for the calculation of Parkland's debt covenants.

7. CAPITAL EXPENDITURES

Maintenance and growth capital expenditures

The following table provides a summary and reconciliation of maintenance and growth capital expenditures:

(\$ millions)	Three months ended March 31,	
	2020	2019
Growth capital expenditures		
Supply	8	4
Canada ⁽²⁾	16	19
International	4	5
USA	1	1
Corporate	3	1
Growth capital expenditures	32	30
Maintenance capital expenditures		
Supply	97	29
Canada ⁽²⁾	3	8
International	18	15
USA	3	1
Corporate	2	1
Maintenance capital expenditures	123	54
Net additions to property, plant and equipment and intangible assets	155	84
Growth capital expenditures attributable to Parkland ⁽¹⁾	31	29
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	118	50
Additions to property, plant and equipment and intangible assets attributable to Parkland	149	79

⁽¹⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽²⁾ For comparative purposes, information for the three months ended March 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, are now combined as the Canada segment, reflecting a change in organizational structure in the first quarter of 2020.

During the first quarter of 2020, Parkland's combined growth and maintenance capital expenditures increased \$71 million, compared to the same period in 2019. The growth capital expenditures primarily relate to network development and improving our customer value proposition in Canada and other capital projects at the Burnaby Refinery in Supply. The increase in maintenance capital expenditures is primarily driven by the Turnaround, and other ongoing maintenance projects at the Burnaby Refinery. During the first quarter of 2020, \$82 million of Turnaround costs were incurred, of which \$55 million was capitalized within maintenance capital expenditures and \$27 million was expensed within Operating Costs. Other major capital expenditure activities during the first quarter of 2020 include equipment purchases to support the integration of the acquisitions as well as fleet and equipment purchases to support new and existing customer contracts.

See guidance on the 2020 capital program in Section 9 of this MD&A.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at March 31, 2020 are \$146 million (December 31, 2019 - \$107 million). These contractual commitments are expected to be incurred primarily over the next 12 months, and relate mainly to other ongoing maintenance and infrastructure projects, such as projects at the Burnaby Refinery to maintain leadership in low-carbon fuel refining and to enhance supply capability, as well as projects to build additional digital capability, such as the JOURNIE™ Rewards program. Parkland plans to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

Parkland believes that the current capital programs based on the present state of its assets, opportunities, the current economic environment, the outlook for fuel supply and demand as well as industry conditions are sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties to supply fuel and propane, general economic conditions, and weather that affects customer demand, there can be no assurance that the capital programs will be sufficient to maintain or increase production levels or cash flows from operating activities.

8. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of strategic objectives and the nature of our operations, which are outlined in the "Risk Factors" sections of the Annual MD&A and Annual Information Form. These risk factors have not changed materially since the dates of their publication. The following risks related to the outbreak of COVID-19 and the increase in global supply of crude oil were recently updated in the Annual Information Form. The Company cannot reliably estimate the impact of COVID-19 and the increase in global supply of crude oil on its operations, as well as their impact on the financial position and results for the future periods.

Economic conditions

On March 11, 2020, the World Health Organization declared a global pandemic in relation to the spread of COVID-19. As the virus spreads across the world, communities are closing businesses and applying isolation and social distancing practices. The virus and its impact on communities has resulted in a decline in the world economy. Among other effects, demand for refined petroleum products has decreased in the regions in which Parkland operates. Demand has also decreased from our commercial customers, including in the cruise ship and aviation industries.

Additionally, in March 2020, an increase in the global supply of crude oil resulted in a dramatic decline in the price of oil. This may result in a reduction in the demand of our products from our customers in the oil and gas industry, for whom certain areas of production is becoming uneconomic. The combined effect of these two events has resulted in a global economic slowdown, with particularly acute effects in the energy industry.

The duration and extent of the impact from COVID-19 depends on future developments that cannot be accurately predicted at this time and, as such, the ultimate impact on Parkland's business, operating results, cash flows and/or financial condition cannot be predicted either, but could be material. Even after COVID-19 has subsided, Parkland may continue to experience adverse impacts to the business as a result of any economic recession that has occurred or may occur in the future because of the pandemic.

While the duration of these events and the extent of the ultimate effects on Parkland's business are unknown at this time, the demand for transportation fuels, lubricants and related products is strongly connected with such economic conditions, with weakening economic conditions having an adverse effect on our revenue, profitability and ability to service debt and pay dividends. A prolonged period of nations applying social distancing practices and weak economic conditions may also exacerbate the occurrence of the risks associated with our business as set out in the Annual Information Form and Annual MD&A, including, without limitation, counterparty credit risk, logistics and supply chain risks and our debt and credit risks.

Due to COVID-19, Parkland may experience different and additional risks not discussed in our Annual Information Form and Annual MD&A, such as decreased worker productivity as a result of remote working arrangements and increased medical, emergency or other leave. An extended period of remote working by our employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk due to phishing and other hacking attacks. Further, Parkland is experiencing increased costs and expenses as a result of implementing increased health and safety protocols at all facilities, including increased cleaning/sanitization of workspaces, restricting visitor access, enforcing social distancing guidelines and increasing the availability of sanitization products.

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

Parkland's financial instruments recorded at fair value through profit or loss include commodities swaps, forwards and futures contracts, US dollar forward contracts, Intermediation Facility Derivatives, emission credits and allowances, the Sol Put Option and Redemption Options.

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, foreign currency swaps, and foreign currency forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices, foreign currency exchange rates and emission credits and allowances. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under hedge accounting in accordance with IFRS, with the exception of the Sol Transaction Hedge and Net Investment Hedge described below. The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. See Note 13 of the Annual Consolidated Financial Statements and Section 8 of Parkland's Annual MD&A.

Sol Put Option

The Sol Put Option is classified as a financial instrument at fair value through profit or loss, with changes in value recorded within other (gains) and losses on the consolidated statements of income (loss). See Note 11 of the Interim Condensed Consolidated Financial Statements for further details on the Sol Put Option.

Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and carried at a fair value within other long-term assets. The change in value is recorded within other (gains) and losses on the consolidated statements of income (loss). See Note 11 of the Interim Condensed Consolidated Financial Statements for further information.

Sol Transaction Hedge

On January 8, 2019, the Sol Transaction Hedge contract was exercised in connection with the closing of the Sol Transaction. The effective portion of the hedge is recognized in other comprehensive income (loss).

Net Investment Hedge

Parkland has designated certain USD-denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive income (loss). See Note 10 of the Interim Condensed Consolidated Financial Statements for further details on the Net Investment Hedge.

The following table presents the impact of the financial assets and liabilities measured at fair value on the consolidated statements of income (loss):

(\$ millions)	Three months ended March 31,	
	2020	2019
Gain (loss) on risk management and other derivatives - realized ⁽¹⁾	40	(2)
Gain (loss) on risk management and other derivatives - unrealized ⁽¹⁾	8	4
Gain (loss) on risk management and other derivatives	48	2
Change in fair value of Redemption Options ⁽²⁾	(105)	27
Change in redemption value of Sol Put Option ⁽²⁾	13	(30)
Gain (loss) on Intermediation Facility Derivatives - realized ⁽³⁾	55	(20)
Gain (loss) on Intermediation Facility Derivatives - unrealized ⁽³⁾	9	(14)
Net gain (loss) on consolidated statements of income (loss)	20	(35)

⁽¹⁾ Gains and losses on risk management and other derivatives are primarily driven by commodities swaps, forward contracts, and changes in relative strength of the Canadian dollar relative to the US dollar on swap contracts.

⁽²⁾ Recognized in other (gains) and losses.

⁽³⁾ Recognized in cost of purchases.

9. OUTLOOK

2020 Capital Program

Parkland has reduced the 2020 Capital Program by \$300 million to \$275 million +/- 5%.

The revised breakdown of the growth capital expenditures and maintenance capital expenditures plans are below:

Capital Expenditures (\$ millions)	
Growth	85
2020 Refinery Turnaround Maintenance	60
Other Maintenance	130
Total Capital Expenditures⁽¹⁾	275

⁽¹⁾ Note that there is a variance range of +/- 5%.

2020 Guidance Range

Parkland's previously-announced 2020 Adjusted EBITDA guidance range relied on the assumption that general economic conditions would be relatively consistent with previous years, within a reasonable range of variance. The economic effects of COVID-19 have been greater in scope and duration than provided for in the assumptions underlying Parkland's initial 2020 guidance range, and the assumptions are therefore no longer valid. As a result, Parkland withdrew its 2020 Adjusted EBITDA Guidance on March 30, 2020.

Other corporate updates

- The Turnaround was completed in the last week of April, and the Burnaby Refinery is now fully operational. Following completion of the Turnaround, production resumed at reduced refinery utilization rates to align with the lower short-term demand forecast resulting from COVID-19. The continued ramp up of bio-feed processing will also decrease our period-over-period refining utilization and crude throughput as these bio-feeds are not reflected in the current measures.
- Variable and fixed costs have been reduced where possible to preserve cash flow during the period of reduced demand while maintaining the core capabilities of the business to ensure that growth can continue when the market conditions change.
- Effective April 1, 2020 and for the remainder of 2020, Parkland's President and CEO has taken a 35% salary reduction while the other members of the leadership team have taken a 25% salary reduction. The Board of Directors has also taken a 25% reduction in retainer fees.
- Due to the lower global energy prices, Parkland's balance sheet should also benefit from reduced working capital requirements.

The 2020 Capital Program supports the Turnaround, and other ongoing maintenance and infrastructure projects, such as projects at the Burnaby Refinery to maintain leadership in low-carbon fuel refining and to enhance supply capability, as well as projects to build additional digital capability, such as the JOURNIE™ Rewards program. Turnaround maintenance capital expenditures exclude an additional \$25 million of operating expenses related to the Turnaround.

Other than as disclosed above, the factors and assumptions that contribute to Parkland's forward-looking information are consistent with existing Parkland disclosure and are subject to risks and uncertainties inherent in Parkland's business. Readers are directed to Section 8 of this MD&A and Parkland's Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on May 6, 2020 on SEDAR at www.sedar.com for more information.

10. OTHER

Controls environment

Internal controls over financial reporting

Based on the evaluation of Parkland's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument ("NI") 52-109, the Chief Executive Officer and Chief Financial Officer have concluded that Parkland's DC&P and ICFR were designed and operating effectively as at March 31, 2020.

In accordance with the provisions of NI 52-109, Parkland has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before March 31, 2020, as Parkland completed the Kellerstrass Acquisition on February 14, 2020, the Tropic Acquisition on October 1, 2019, and acquired other individually immaterial businesses in the second and fourth quarter of 2019. This scope limitation is primarily due to the time required for Parkland's management to assess DC&P and ICFR in a manner consistent with Parkland's other operations.

The following tables summarize the financial information related to these acquisitions under the NI 52-109 scope limitation:

(\$ millions)	As at March 31, 2020	(\$ millions)	Three months ended March 31, 2020
Current assets	99	Sales and operating revenue	206
Non-current assets	148	Net earnings	4
Current liabilities	44		
Non-current liabilities	14		

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the three months ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

In the normal course of business, Parkland is obligated to make future payments, including contractual obligations and guarantees. Parkland believes all relationships or arrangements with entities that are likely to have a material effect on its liquidity or the availability of capital resources are consolidated into the financial statements. Parkland has not created, and is not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business.

Guarantees

As at March 31, 2020, Parkland provided \$2,657 million (December 31, 2019 - \$2,314 million) of unsecured guarantees to counterparties of commodities swaps and purchase and supply agreements of crude oil, fuel and other petroleum products.

Letters of credit and surety bonds

Parkland provides guarantees in the form of letters of credit and surety bonds in the ordinary course of business. As at March 31, 2020, these guarantees amount to \$271 million (December 31, 2019 - \$272 million) and are not recognized in the Interim Condensed Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including June 29, 2021.

Shares outstanding

As at March 31, 2020, Parkland had approximately 149 million common shares, 4 million share options and 2 million restricted share units outstanding. The share options consist of approximately 2 million share options that are currently exercisable into common shares.

11. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Note 2 of the Annual Consolidated Financial Statements for a summary of significant accounting policies or references to notes where such policies are contained.

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. Refer to "Significant accounting estimates, assumptions and judgments" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgments. Since the date of our Annual MD&A, there were no material changes to the significant accounting estimates, assumptions and judgments.

12. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 20 - Segment Information of the Interim Condensed Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 20 of the Interim Condensed Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure for the underlying core operating performance of business segment activities at an operational level. Adjusted EBITDA is used by management to set targets for Parkland (including annual guidance and variable compensation targets) and is used to determine Parkland's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. Adjusted EBITDA excludes costs that are not considered representative of Parkland's underlying core operating performance, including, among other items: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, (iv) changes in the fair value of share-based compensation liabilities, (v) unrealized gains and losses on foreign exchange, risk management and other derivatives and Intermediation Facility Derivatives, (vi) realized foreign exchange gains and losses as a result of refinancing activities and cash pooling arrangements, (vii) other gains and losses, including changes in value of the Sol Put Option and Redemption Options, (viii) loss on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains, and (ix) other adjusting items. Note that Adjusted EBITDA for Q1 2019 and periods thereafter includes the adoption of IFRS 16 as of January 1, 2019.

Adjusted EBITDA is calculated and reconciled from net earnings (loss) as follows:

	Three months ended March 31,	
(\$ millions)	2020	2019
Net earnings (loss)	(74)	91
Add:		
Depreciation and amortization	149	135
Finance costs		
Interest on leases	8	7
Interest on long-term debt	51	48
Amortization, accretion and other costs	4	20
Other (gains) and losses		
Change in redemption value of Sol Put Option	(13)	30
Change in fair value of Redemption Options	105	(27)
Change in estimates of environmental provision	(28)	—
Other items	(10)	(10)
(Gain) loss on asset disposals	4	—
Acquisition, integration and other costs	21	35
(Gain) loss on risk management and other derivatives - unrealized	(8)	(4)
(Gain) loss on foreign exchange - unrealized	11	(32)
Other adjusting items ⁽¹⁾	21	18
Income tax expense (recovery)	(27)	28
Adjusted EBITDA including NCI	214	339
Less:		
Attributable to NCI	23	24
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	191	315

⁽¹⁾ Other adjusting items primarily include a loss of \$19 million on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains (2019 - nil) and an unrealized gain of \$9 million (2019 - unrealized loss of \$14 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

Adjusted gross profit

Parkland uses adjusted gross profit as a measure of segment profit and loss to analyze the performance of sale and purchase transactions and performance on margin. Adjusted gross profit is calculated and reconciled as follows:

	Three months ended March 31,	
(\$ millions)	2020	2019
Sales and operating revenue	4,359	4,215
Cost of purchases	(3,799)	(3,528)
Gain (loss) on risk management and other derivatives - realized	40	(2)
Gain (loss) on foreign exchange - realized	(24)	(2)
Other adjusting items ⁽¹⁾	17	14
Adjusted gross profit	593	697
Fuel and petroleum product adjusted gross profit	483	592
Non-fuel adjusted gross profit	110	105
Adjusted gross profit	593	697

⁽¹⁾ Other adjusting items primarily include a loss of \$19 million on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains (2019 - nil) and an unrealized gain of \$9 million (2019 - unrealized loss of \$14 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

Non-GAAP financial measures

Certain financial measures in this MD&A are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze operating performance, leverage and liquidity. These non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Credit Facility earnings before interest, taxes, depreciation and amortization ("Credit Facility EBITDA")⁽¹⁾	Debt covenant earnings metric defined in Parkland's Credit Facility	$\begin{aligned} &\text{Credit Facility EBITDA}^{(1)} = \\ &\quad \text{Adjusted EBITDA} \\ &\quad + \text{Adjusted EBITDA attributable to NCI}^{(4)} \\ &\quad + \text{share incentive compensation} \\ &\quad + \text{acquisition pro-forma EBITDA adjustment}^{(2)} \\ &\quad + \text{acquisition, integration and other costs adjustment}^{(2)} \\ &\quad + \text{Turnaround adjustment}^{(3)} \\ &\quad - \text{IFRS 16 impact on Adjusted EBITDA} \\ &\quad - \text{IFRS 16 impact on Adjusted EBITDA attributable to NCI}^{(4)} \end{aligned}$	We use this metric to monitor Parkland's ability to service debt and meet current and future commitments.
Senior Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant ratio metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Senior Funded Debt as a ratio	$\begin{aligned} &\text{Senior Funded Debt to Credit Facility EBITDA}^{(1)} = \\ &\quad \text{Senior Funded Debt} \div \text{Credit Facility EBITDA} \end{aligned}$ $\begin{aligned} &\text{Senior Funded Debt}^{(5)} = \\ &\quad \text{current portion of long-term debt} \\ &\quad + \text{bank indebtedness} \\ &\quad + \text{non-current portion of long-term debt (excluding Senior Notes)} \\ &\quad + \text{letters of credit} \\ &\quad - \text{cash and cash equivalents} \end{aligned}$	We use these ratios to demonstrate compliance with debt covenants and provide users with an indication of Parkland's ability to repay debt. To manage Parkland's financing requirements, we may adjust capital spending or dividends paid to shareholders, or issue new shares or new debt. These metrics are also used to monitor and guide Parkland's overall financial strength and capital structure flexibility.
Total Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Total Funded Debt as a ratio	$\begin{aligned} &\text{Total Funded Debt to Credit Facility EBITDA}^{(1)} = \\ &\quad \text{Total Funded Debt} \div \text{Credit Facility EBITDA} \end{aligned}$ $\begin{aligned} &\text{Total Funded Debt}^{(5)} = \\ &\quad \text{Senior Funded Debt} + \text{Senior Notes} \end{aligned}$	
Interest coverage ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to interest ⁽²⁾ as a ratio	$\text{Interest coverage ratio}^{(1)} = \frac{\text{Credit Facility EBITDA}}{\text{interest}^{(2)}}$	We use this ratio to provide us with an indication of Parkland's ability to pay interest on its outstanding debt, in addition to demonstrating compliance with debt covenants.
Corporate Marketing, General and Administrative expenses as a % of adjusted gross profit	Ratio that measures percentage of corporate expenses in relation to Parkland's adjusted gross profit	$\begin{aligned} &\text{Corporate MG\&A as a \% of adjusted gross profit} = \\ &\quad \frac{\text{corporate MG\&A expenses}}{\div \text{consolidated adjusted gross profit}} \end{aligned}$	We use this metric to measure the effectiveness of Parkland's corporate operations in relation to Parkland's overall business. We believe this metric provides transparency and predictive value for corporate MG&A in relation to Parkland's entire adjusted gross profit.

⁽¹⁾ Calculated on a trailing-twelve-month basis.

⁽²⁾ Determined pursuant to the terms of the Credit Facility.

⁽³⁾ The Turnaround adjustment is a normalization of Adjusted EBITDA for the effect of the Turnaround, pursuant to the terms of the Credit Facility.

⁽⁴⁾ Beginning in Q1 2020, Parkland includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

⁽⁵⁾ Beginning in Q1 2020, Parkland includes long term debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI in Senior Funded Debt and Total Funded Debt.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Distributable cash flow	Cash flow metric that adjusts for the impact of seasonality in Parkland's business by removing non-cash working capital items	Distributable cash flow = cash flow from operating activities - Adjusted EBITDA attributable to NCI, net of tax - change in other liabilities and other assets + change in other liabilities - net change in non-cash working capital - maintenance capital expenditures attributable to Parkland + proceeds on asset disposals	We use this metric to monitor normalized cash flows of the business by eliminating the impact of Parkland's working capital fluctuations, which can vary significantly from quarter to quarter.
Adjusted distributable cash flow	Distributable cash flow metric that excludes acquisition, integration and other costs	Adjusted distributable cash flow = distributable cash flow - acquisition, integration and other costs - turnaround maintenance capital expenditures - payments on principal amount on leases + payments on principal amount on leases attributable to NCI	We use this metric to monitor core distributable cash flows of the business without the impact of expenditures used in acquisitions, integration and other activities, which fluctuate significantly.
Distributable cash flow per share	Distributable cash flow presented on a per share basis	Distributable cash flow per share = distributable cash flow ÷ weighted average number of common shares	We believe these per share metrics provide useful information to individual shareholders.
Adjusted distributable cash flow per share	Adjusted distributable cash flow presented on a per share basis	Adjusted distributable cash flow per share = adjusted distributable cash flow ÷ weighted average number of common shares	
Dividend payout ratio	Ratio of dividends distributed to distributable cash flow	Dividend payout ratio = dividends ÷ distributable cash flow	We use these ratios as indicators of Parkland's ability to generate cash flows to sustain monthly dividends, including those issued under the dividend reinvestment plan.
Adjusted dividend payout ratio	Ratio of dividends distributed to adjusted distributable cash flow	Adjusted dividend payout ratio = dividends ÷ adjusted distributable cash flow	
Maintenance capital expenditures	Capital expenditure metric for activities that are maintenance in nature	Additions to property, plant and equipment and intangible assets that are considered to be maintenance in nature, including but not limited to: - turnaround and other maintenance projects at the Burnaby Refinery; - upgrades of service stations, including primarily aesthetic major renovations (also known as "refreshes") of retail service stations; - rebrand or refresh of service stations, including securing a supply agreement with a new independent retailer; - replacement of existing concrete structures, paving, roofing, furniture and equipment; - upgrade or replacement of trucking fleets; and - upgrade of software systems or point-of-sale systems.	Parkland uses maintenance capital expenditures as a financial measure to monitor expenditures on property, plant and equipment and intangible assets to sustain the current level of economic activity and maintain cash flows from operating activities at a constant level of productive capacity. Parkland considers the volume of fuel and propane sales, volume of convenience store sales, volume of lubricant sales, agricultural inputs, and delivery to be productive capacity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 7 of this MD&A.
Growth capital expenditures	Capital expenditure metric for activities that are growth in nature	Additions to property, plant and equipment and intangible assets that are considered to be growth in nature, including but not limited to: - new retail site builds under the "new-to-industry" program; - construction of a new building on an existing site; - IT capital expenditures related to integration of acquired businesses; - acquisition of new real estate; - addition of new trucks and trailers to increase the size of the fleet; - addition of new equipment to increase the size and capacity of a retail fuel service station; and - addition of new infrastructure and tanks to support large new customer contracts.	Parkland uses growth capital expenditures as a measure to monitor expenditures on property, plant and equipment and intangible assets that increase the current level of economic activity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 7 of this MD&A.

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2020
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	
Adjusted EBITDA	346	302	302	191	1,141
Adjusted EBITDA attributable to NCI ⁽⁴⁾	24	20	25	23	92
Share incentive compensation	4	4	11	3	22
Reverse: IFRS 16 impact on Adjusted EBITDA	(31)	(34)	(36)	(39)	(140)
Reverse: IFRS 16 impact on Adjusted EBITDA attributable to NCI ⁽⁴⁾	(4)	(5)	(5)	(6)	(20)
	339	287	297	172	1,095
Acquisition pro-forma adjustment ⁽¹⁾					16
Acquisition, integration and other costs adjustment ⁽²⁾					(6)
Turnaround adjustment ⁽³⁾					97
Credit Facility EBITDA					1,202

⁽¹⁾ Amounts for the trailing twelve months ended March 31, 2020 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2019 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$6 million pursuant to the terms of the Credit Facility dated January 8, 2019. This amount is used for debt covenant calculation purposes only.

⁽³⁾ The Turnaround adjustment is a normalization of Adjusted EBITDA for the effect of the Turnaround, pursuant to the terms of the Credit Facility.

⁽⁴⁾ Beginning in Q1 2020, Parkland includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2019
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	
Adjusted EBITDA ⁽³⁾	315	346	302	302	1,265
Share incentive compensation	4	4	4	11	23
Reverse: IFRS 16 Impact on Adjusted EBITDA ⁽³⁾	(27)	(31)	(34)	(36)	(128)
	292	319	272	277	1,160
Acquisition pro-forma adjustment ⁽¹⁾					14
Acquisition, integration and other costs adjustment ⁽²⁾					(15)
Credit Facility EBITDA					1,159

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2019 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2018 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$15 million pursuant to the terms of the Credit Facility dated March 29, 2018. This amount is used for debt covenant calculation purposes only.

⁽³⁾ Up to Q4 2019, Parkland excluded Adjusted EBITDA attributable to NCI and included IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios

(\$ millions)	March 31, 2020	December 31, 2019
Senior Funded Debt:		
Long-term debt - current portion	113	115
Long-term debt - non-current portion (excluding Senior Notes)	1,364	1,035
Exclude: Long term debt - attributable to NCI ⁽¹⁾	—	(22)
Letters of credit ⁽¹⁾	41	41
Exclude: letters of credit attributable to NCI ⁽¹⁾	—	(2)
Less: cash and cash equivalents	(349)	(244)
Exclude: cash and cash equivalents attributable to NCI ⁽¹⁾	—	48
Less: IFRS 16 lease obligations	(553)	(526)
Senior Funded Debt	616	445
Senior Notes	2,905	2,788
Total Funded Debt	3,521	3,233
Credit Facility EBITDA	1,202	1,159
Senior Funded Debt to Credit Facility EBITDA ratio	0.51	0.38
Total Funded Debt to Credit Facility EBITDA ratio	2.93	2.79

⁽¹⁾ Beginning in Q1 2020, Parkland includes long term debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI in Senior Funded Debt and Total Funded Debt.

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	March 31, 2020	December 31, 2019
Credit Facility EBITDA	1,202	1,159
Interest ⁽¹⁾	208	218
Interest coverage ratio	5.78	5.32

⁽¹⁾ Calculated pursuant to the terms of the Credit Facility.

Corporate Marketing, General and Administrative expenses as a % of adjusted gross profit

(\$ millions)	Three months ended March 31, 2020	2019
Corporate Marketing, General and Administrative expenses	27	27
Parkland's adjusted gross profit	593	697
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	4.6%	3.9%

TTM distributable cash flow, TTM adjusted distributable cash flow, TTM dividends, TTM dividend payout ratio and TTM adjusted dividend payout ratio

(\$ millions, unless otherwise noted)	June 30, 2019 ⁽¹⁾	Three months ended September 30, 2019 ⁽¹⁾	December 31, 2019 ⁽¹⁾	March 31, 2020 ⁽¹⁾	Trailing twelve months ended March 31, 2020
Distributable cash flow	168	122	149	(22)	417
Adjusted distributable cash flow	156	126	142	20	444
Weighted average number of common shares (million shares)					148
Distributable cash flow per share					2.82
Adjusted distributable cash flow per share					3.00
Dividends	45	45	44	45	179
TTM dividend payout ratio					43%
TTM adjusted dividend payout ratio					40%

(\$ millions, unless otherwise noted)	June 30, 2018 ⁽¹⁾	Three months ended September 30, 2018 ⁽¹⁾	December 31, 2018 ⁽¹⁾	March 31, 2019 ⁽¹⁾	Trailing twelve months ended March 31, 2019
Distributable cash flow	118	118	151	125	512
Adjusted distributable cash flow	139	144	175	137	595
Weighted average number of common shares (million shares)					136
Distributable cash flow per share					3.76
Adjusted distributable cash flow per share					4.38
Dividends	41	39	41	43	164
TTM dividend payout ratio					32%
TTM adjusted dividend payout ratio					28%

⁽¹⁾ 2020 and 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year and are not restated to reflect the impact of IFRS 16, as is allowed under the modified retrospective approach for IFRS 16 adoption.

Key Performance Indicators ("KPIs")

In addition to non-GAAP financial measures, Parkland uses a number of operational KPIs to measure the success of our strategic objectives and to set variable compensation targets for employees. These KPIs are not accounting measures, do not have comparable IFRS measures, and may not be comparable to similar measures presented by other issuers, as other issuers may calculate these metrics differently.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Company C-Store same-store sales growth ("Company C-Store SSSG")	Company C-Store SSSG refers to sales growth generated by retail convenience stores at Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded to derive a comparable same-store metric.	Company C-Store SSSG is derived from the point-of-sale ("POS", i.e. cash register) value of goods and services sold to retail customers at convenience stores operated by retailers at Company sites. Specifically, current year POS sales of active sites are compared to prior year POS sales of comparable sites. Since Parkland generally collects fixed rent for the facilities plus a percentage rent on convenience store sales from the retailer and typically does not directly own or sell the convenience store inventory, POS amounts used to calculate Company C-Store SSSG are not a Parkland financial measure and do not form part of Parkland's consolidated financial statements. Beginning in Q2 2019, this KPI excludes lottery sales, but includes lottery commissions to be consistent with industry practice. Prior periods comparatives included in this MD&A have been restated to conform with recent presentation.	Same-store sales growth is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Company Volume same-store sales growth ("Company Volume SSSG")	Company Volume SSSG refers to fuel and petroleum product sales growth at active Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded.	Company Volume SSSG is derived by comparing the current year volume of active sites to prior year volume of comparable sites.	Volume SSSG is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Measures calculated on a cents-per-litre ("cpl") basis	Financial measures calculated on a cpl basis (e.g. Operating Costs - cpl) refer to the specific financial metric for a litre of fuel and petroleum product sold in the related segment.	The financial measure (e.g. adjusted gross profit, Operating Costs, etc.) is divided by the relevant fuel and petroleum product volume of the segment to arrive at the cpl basis.	Cpl metrics are used by management to identify trends in financial measures while removing the impact of volume variability, where appropriate.	
Refinery utilization	Refinery utilization refers to the amount of crude oil that is run through the crude distillation units compared to crude throughput.	The amount of crude oil that is run through the crude distillation units expressed as a percentage of the 55,000 barrels per day crude distillation capacity at the Burnaby Refinery.	Refinery utilization provides meaningful information to investors in evaluating the operational performance of the refinery.	A higher utilization generally allows for more efficient operations and lower costs per barrel.
Crude throughput	Crude throughput refers to the amount of crude oil that is processed and converted to products in the refinery.	The amount of crude oil that runs through crude distillation units expressed in thousands of barrels per day.	Crude throughput provides meaningful information to investors in evaluating the operational performance of the refinery.	A higher throughput generally allows for more efficient operations and lower costs per barrel.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Annual Synergies	Annual Synergies is a forward-looking estimate of forecasted improvements in Adjusted EBITDA driven by increases in adjusted gross profit and reductions in Operating Costs and Marketing, General and Administrative expenses expected to be realized from integrating the Acquisitions and other related initiatives.	This estimate is stated as a comparison of the acquisitions' performance before and after acquisition, presented as a forecasted annualized run-rate measure. This forward-looking estimate is based on comparative analysis of organizational structures, level of spending, and contract structures, as well as synergies expectations and cost reductions from implementing integration initiatives, increased purchasing power, and contract renegotiations, among other items.	Annual Synergies is used to measure synergy expectations of acquisitions against their investment business case.	Changes to these assumptions, market conditions, commodity prices, and timing of implementation of initiatives can significantly impact Annual Synergies. See Section 13 of this MD&A.
Lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF")	LTIF and TRIF are industry measures of health and safety that provide the number of lost time incidents and total recordable incidents, respectively, that occurred within a given period relative to a standardized number of hours worked.	LTIF and TRIF are calculated by multiplying the number of incidents by 200,000, divided by the total number of employee hours worked.	LTIF and TRIF provide meaningful information in evaluating performance in providing a safe working environment. LTIF represents the number of people for every 100 employees injured to an extent that they cannot perform any work for a minimum of one day, post-injury.	A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift.

Glossary of terms

Term	Definition
Backcourt	Terminology used in the retail gas industry that refers to the part of a retail station where convenience store merchandise and services such as car washes are sold.
COCO	Company-owned, company-operated.
CORO	Company-owned, retailer-operated.
CORO conversion	The process of one-time conversions of Ultramar COCO sites to CORO sites, which are expected to lower costs, realize synergies, and provide Parkland with higher returns.
Forecourt	Terminology used in the retail gas industry that refers to the part of a retail station where fuel is sold at the pump.
Marketing, General and Administrative expense	Marketing, General and Administrative expenses are typically fixed in nature and do not vary significantly with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure.
Operating Costs	Operating Costs include wages and benefits for employees, driving and administrative labour, fleet maintenance and operating costs, third-party delivery expenses, retailer fuel commission, along with the costs associated with owning and maintaining land, buildings and equipment, such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs.
Refining crack spread	Terminology used in the oil and gas industry that refers to the general price differential between crude oil and petroleum products refined from it.

13. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

This MD&A contains certain forward-looking information. Forward-looking information can generally be identified by words such as "believes", "expects", "expected", "will", "plan", "intends", "target", "would", "seek", "could", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, this MD&A contains forward-looking information including, without limitation, forward-looking statements regarding Parkland's:

- commitment to delivering competitive and sustainable returns to shareholders by being the partner of choice for our customers and suppliers, and how we plan to accomplish this mission;
- commitment to drive organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries with which we do business;
- goal to deliver a supply advantage by leveraging market inefficiencies, being a partner of choice for refiners, safely and reliably operating the Burnaby Refinery and increasing our import and export capabilities;

- expected exercise of the Sol Put Option or the Sol Call Option to acquire the remaining outstanding shares of SIL and the terms thereof;
- expectations regarding the anticipated benefits and synergies of completed acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store franchise system and related trademarks in Canada, providing a strong retail platform for Parkland to expand and support its retail offering across Canada, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brand, 59th Street Food Co.™;
- national rollout of the JOURNIE™ program and the timing and benefits to be derived thereof;
- expected launch of the National Fuelling Network in the first half of 2020;
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- platform for growth in North America and the Caribbean;
- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Canada and International business segments;
- ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- growth and maintenance capital expenditure expectations;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- expectations regarding the business outlook contained in this MD&A;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Sol Transaction, 2019 USA Acquisitions, and 2020 USA Acquisition.

The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions. As such, readers are urged to consider the factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions including, without limitation:

- the regulatory framework that governs the operation of Parkland's business;
- the effect of COVID-19 on Parkland's business;
- Parkland's ability to successfully integrate completed acquisitions into Parkland's operations;
- Parkland's ability to realize synergies and cost reductions from the implementation of integration initiatives, increased purchasing power, and contract renegotiations, among other items;
- commodity prices and volumes for gasoline, diesel, propane, lubricants, heating oil and other high-quality petroleum products;
- refining crack spreads per barrel;
- financial market conditions, including interest rates and US dollar foreign exchange rates;

- ability to successfully expand Parkland's business into the Caribbean;
- ability of suppliers to meet commitments;
- ability to retain key management;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

These forward-looking statements involve numerous assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under the heading "Risk Factors" in the Annual Information Form. More specifically, certain material factors and assumptions that could cause actual results to vary materially from those anticipated include, without limitation:

- general market conditions, including the duration and effect of COVID-19;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to capture value in each step of the value chain;
- ability to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- ability to secure funding to finance the consideration payable to acquire the remaining portion of the SIL shares under the Sol Put Option;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing, margins and refining crack spreads;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- the competitive environment of our industry in North America and the Caribbean;
- environmental impact;
- risk of changes to environmental and regulatory laws;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Sol Transaction, the 2019 USA Acquisitions, and the 2020 USA Acquisition;
- failure to meet financial, operational and strategic objectives and plans; and
- availability of capital and operating funds.

Additional information on these and other factors that could affect Parkland's operations or financial results is discussed in this MD&A, the Annual Information Form and other continuous disclosure documents (available under Parkland's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or Parkland's website at www.parkland.ca).

The forward-looking statements speak only as of the date of this MD&A and Parkland does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements.